

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 OIC-02 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00  
OMB-01 /101 W

----- 012391 /46

P R 151541Z DEC 76  
FM AMEMBASSY VIENNA  
TO SECSTATE WASHDC PRIORITY 0343  
INFO USMISSION GENEVA  
USMISSION USUN  
USMISSION OECD PARIS

C O N F I D E N T I A L VIENNA 10229

E.O. 11652: GDS  
TAGS: UNIDO, OCON, EIND  
SUBJECT: PREPARATORY MEETING FOR IRON AND STEEL CONSULTATION

REF: STATE 293935

1. MISSION MET WITH MONNETT AS SUGGESTED REFTTEL BOTH  
UPON HIS ARRIVAL AND ON FRIDAY, DEC. 10, TOWARD THE  
END OF PREPARTORY MEETING.

2. AT LATTER TIME, PRIOR TO HIS HAVING SEEN WHAT THE  
SECRETARIAT WOULD PRODUCE IN LIGHT OF THE VIEWS EXPRESSED  
AT THE MEETING, MONNETT DID NOT SEEM VERY HAPPY WITH THE  
TREND OF DISCUSSION. FOR EXAMPLE, HE CHARACTERIZED THE  
SECRETARIAT, WHICH ACTIVELY PARTICIPATED IN THE MEETINGS, AS  
MORE VIOROUSLY PUSHING OFTEN UNREALISTIC VIEWPOINTS AND  
PROPOSALS AIMED AT "REDEPLOYMENT" OF IRON AND STEEL  
PRODUCTIVE FACILITIES TO THE DEVELOPING COUNTRIES THROUGH  
GOVERNMENTAL INTERVENTION IF NECESSARY, THAN PARTICIPANTS  
FROM DEVELOPING COUNTRIES THEMSELVES.

(COMMENT: THIS KIND OF SECRETARIAT BIAS WHICH  
IS FAMILIAR IN MEETINGS OF UNIDO'S GOVERNING  
BODIES EVIDENTLY STRUCK MONNETT AS INCONGRUOUS.

THERE ARE ALSO SIGNS THAT IN THIS AREA OF  
"POLICY-TYPE QUESTIONS" THE UNIDO SECRETARIAT

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MAY HAVE DECIDED TO TAKE A LEAF OUT OF THE UNCTAD

SECRETARIAT'S BOOK AND DEMONSTRATE THEIR COMMITMENT TO G-77 INTERESTS.)

3. THE DISCUSSION OF THE "ISSUES PAPER" WAS REPORTEDLY WIDE-RANGING. THERE WAS APPARENTLY NO PARTICULAR UNANIMITY OF VIEWS EXPRESSED BY G-77 PARTICIPANTS. SOME, SUCH AS THE PARTICIPANT FROM JAMAICA WERE, ACCORDING TO MONNETT, REASONABLE AND REALISTIC IN THEIR APPROACH. OTHERS - THE ALGERIAN ESPECIALLY - WERE TYPICALLY RADICALLY AND POLITICALLY ORIENTED. FOR EXAMPLE, MONNETT FELT THAT ON THE PART OF THIS LATTER CATEGORY AND THE SECRETARIAT THERE WAS TOO MUCH CONCERN WITH WHAT THE LEVEL OF IRON AND STEEL PRODUCTION SHOULD BE BY THE YEAR 200 AND HOW IT SHOULD BE DISTRIBUTED AS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES (IF NECESSARY THROUGH GOVERNMENTAL ACTIONS OF VARIOUS KINDS) THAN WITH WHAT MONNETT FELT WAS THE MEANINGFUL BASIC QUESTION, I.E., WHAT IS LIKELY TO BE THE LEVEL OF EFFECTIVE DEMAND FOR IRON AND STEEL AT THAT TIME AND WHAT ARE THE CONDITIONS (E.G. AS REGARDS THE SUPPLY OF RAW MATERIALS AND ENERGY AND THE REQUIRED INVESTMENT) THAT WOULD HAVE TO OBTAIN IF THE DEMAND IS TO BE MET. AS FOR THE LOCATION OF NEW PRODUCTION FACILITIES, MONNETT'S VIEW WAS THAT FACTOR SUPPLY AND OTHER RELEVANT CONSIDERATIONS WOULD IN ANY CASE LEAD TO A SOMEWHAT HIGHER RATE OF GROWTH OF SUCH INVESTMENT IN DEVELOPING COUNTRIES AS COMPARED WITH THE OLDER INDUSTRIALIZED STATES. IN THIS CONNECTION, HE STRESSED IN THE PREPARATORY MEETING THE IMPORTANCE OF A REGIONAL APPROACH TO THE DEVELOPMENT AND UTILIZATION OF IRON AND STEEL PRODUCTIVE CAPACITY IN THE DEVELOPING COUNTRIES.

4. MONNETT'S VIEW WAS THAT THE FEBRUARY CONSULTATION SHOULD ADDRESS ITSELF BASICALLY TO THE THREE POINTS MENTIONED ABOVE: (A) PROJECTIONS OF DEMAND IN SELECTED YEARS UP TO THE YEAR 2000; (B) CALCULATIONS OF REQUIRED SUPPLIES OF RAW MATERIALS AND ENERGY NEEDED TO SATISFY THIS DEMAND; (C) REQUIRED INVESTMENT. THE  
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DISCUSSION COULD BE BROKEN DOWN REGIONALLY AND PERHAPS BY MAJOR COUNTRIES. THIS VIEW WAS SUBSTANTIALLY INCORPORATED IN A PAPER AGREED UPON BY THE PARTICIPANTS IN THE LAST SESSION OF THE PREPARATORY MEETING TO SERVE AS A COVERING PAPER TO THE DOCUMENT TO BE PREPARED BY THE SECRETARIAT IN LIGHT OF THE DISCUSSION IN THE MEETING. (THIS PAPER IS NOT YET AVAILABLE). IN THIS CONNECTION,

WE ARE TOLD THAT THE PARTICIPANTS GENERALLY FELT THAT  
ISSUE 1 OF THE TENTATIVE LIST OF ISSUES ANNEXED TO  
THE AIDE-MEMOIRE ON THE IRON AND STEEL CONSULTATION  
DATED NOVEMBER 1976, INsofar AS IT CONCERNED  
TARGETS AND DISTRIBUTION OF STEEL PRODUCTION,  
AND ISSUE 5 ON POTENTIAL FOR CAPITAL GOODS MANUFACTURE  
SHOULD BE DROPPED FROM THE AGENDA OF THE CONSULTATIONS  
MEETING.

5. MOST IMPORTANTLY, MONNETT WHE WE LAST SAW  
HIM SAID HE WAS NOT YET CERTAIN WHAT RECOMMENDATION  
HE WOULD MAKE TO THE INDUSTRY CONCERNING ITS ATTENDANCE  
AT THE CONSULTATIONS. IN LIGHT OF THE DISCUSSIONS IN  
THE PREPARATORY MEETING UP TO THAT TIME AND PARTICULARLY  
OF THE ATTITUDE OF THE SECRETARIAT, HE WAS DUBIOUS  
CONCERNING THE VALUE OF SUCH PARTICIPATION.

6. WE ASSUME DEPT. AND MONNETT HAVE BEEN IN CONTACT  
TO ARRANGE FIRSHAND DEBRIEFING. MISSION WILL  
FORWARD SECRETARIAT REPORT ON PREPARATORY MEETING AND  
FINAL PAPERS FOR THE FEBRUARY CONSULTATION AS SOON AS  
AVAILABLE. STIBRAVY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IRON, CONSULTANTS, VISITS, STEELS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976VIENNA10229  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760461-1214  
**From:** VIENNA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761239/aaaabhkg.tel  
**Line Count:** 137  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 293935  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 MAR 2004 by hartledg>; APPROVED <16 AUG 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PREPARATORY MEETING FOR IRON AND STEEL CONSULTATION  
**TAGS:** OCON, EIND, OTRA, AU, UNIDO, (MONNETT, ALBERT)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006